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Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-10 IO-13 L-03 H-01 PA-01
AID-05 CIAE-00 COME-00 EB-08 FRB-03 INR-10
NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01
OMB-01 NSC-05 SS-15 STR-07 CEA-01 AGRE-00 HA-05
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FM AMEMBASSY MANILA
TO SECSTATE WASHDC 8795
INFO AMEMBASSY JAKARTA

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TAGS: EAID, EFIN SHUM, ADB, ID
SUBJECT: ADVANCE INFORMATION ON PROJECTS FOR HUMAN
- RIGHTS CONSIDERATION

IN ORDER TO PROVIDE WASHINGTON WITH AS MUCH TIME AS POSSI-
BLE TO CONSIDER HUMAN RIGHTS ASPECTS OF ADB PROJECTS, WE
ARE SUBMITTING INFORMATION ON THE FOLLOWING INDONESIAN
PROJECTS THAT ARE TENTATIVELY SCHEDULED FOR BOARD CONSID-
ERATION IN THE NEXT THREE MONTHS:

1. SOUTH EAST SULAWESI TRANSMIGRATION AREA DEVELOPMENT
PROJECT (AUGUST)
- A. THE PROJECT CONSISTS OF THE FOLLOWING COMPONENTS:
- I. CONSTRUCTION OF A NEW IRRIGATED TRANSMIGRATION
SETTLEMENT AT WAWOTOBI. THE SETTLEMENT WILL COVER 15,010
HA GROSS AREA, OF WHICH 9,200 HA WILL BE IRRIGATED, AND
PROVIDE FOR 4,500 NEW TRANSMIGRANT FAMILIES.
- II. IMPROVEMENT OF 17 EXISTING TRANSMIGRATION
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SETTLEMENTS; 15,000 HA GROSS AREA, 6,100 HA IRRIGATED;
200 NEW TRANSMIGRANT FAMILIES, 5,100 EXISTING TRANS-
MIGRANT FAMILIES.
- III. IMPROVEMENT OF COMMUNITY INFRASTRUCTURE IN
70 EXISTING VILLAGES.
- IV. IMPROVEMENT OF 93 KM OF DISTRICT ROADS.
- V. IMPROVEMENT OF AGRICULTURAL SUPPORTING SERVICES;

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INCLUDES RESEARCH, EXTENSION, PROCESSING AND STORAGE, INPUT SUPPLY, AND LIVESTOCK SERVICES.
- VI. STUDIES FOR FUTURE DEVELOPMENT.
- VII. ASSOCIATED CONSULTING SERVICES, EQUIPMENT AND TECHNICAL SERVICES. BUILDINGS ARE INCLUDED IN THE PROJECT.

- B. TOTAL COST OF THE PROJECT IS ESTIMATED AT DOLLARS 81 MILLION, OF WHICH DOLLARS 35 MILLION WILL BE FOREIGN EXCHANGE COST. THE PROJECT WILL BE IMPLEMENTED BETWEEN 1979 AND 1984.

- C. MAJOR BENEFICIARIES WILL BE: 4,700 NEW TRANSMIGRANT FAMILIES -- ARRIVING FROM JAVA AND BALI UNDER THE PROJECT, 5,100 PREVIOUS TRANSMIGRANT FAMILIES, AND 4,200 INDIGENOUS FARM FAMILIES; ALL OF WHICH WILL BENEFIT FROM THE PROJECT' AGRICULTURAL PRODUCTION-ENHANCING COMPONENTS. SIGNIFICANT BUT LARGELY UNQUANTIFIABLE BENEFITS TO IMPROVED COMMUNITY AND SOCIAL INFRASTRUCTURE BUILT UNDER THE PROJECT, WILL REACH AN ADDITIONAL 22,500 INDIGENOUS FAMILIES. NET FARM INCOMES ARE EXPECTED TO INCREASE FROM LEVELS OF DOLLARS 65 - 390 WITHOUT THE PROJECT (DEPENDING ON WHETHER THE FARM LAND IS DRY LAND OR PARTIALLY IRRIGATED) TO DOLLARS 500 - 1,100 UNDER PROJECT CONDITIONS.

2. TELUK LADA AREA DEVELOPMENT, PHASE II, TECHNICAL ASSISTANCE LOAN (SEPTEMBER)
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- A. THE PROJECT, LOCATED AT THE WESTERN TIP OF JAVA, IS ENVISAGED TO HAVE AN INTEGRATED AREA DEVELOPMENT SCHEME WITH IRRIGATION AS A MAJOR COMPONENT. IT AIMS AT INCREASING AGRICULTURAL PRODUCTION AND IMPROVING THE FARMERS' LIVING CONDITIONS IN TWO AREAS, CILIMAN-CILEMER AND CIBALIUNG, COVERING ABOUT 33,000 HA WITH A NET IRRIGABLE AREA OF ABOUT 25,100 HA. PROJECT COMPONENTS WOULD INCLUDE: (I) IRRIGATION AND DRAINAGE, (II) FLOOD CONTROL, (III) VILLAGE WATER SUPPLY, (IV) SOIL CONSERVATION AND REFORESTATION, AND (V) IMPROVEMENT OF RURAL INFRASTRUCTURE. BOTH SCHEMES ARE BASICALLY IDENTICAL EXCEPT THAT CILIMAN-CILEMER WILL HAVE POSSIBLE INCLUSION OF A STORAGE RESERVOIR. A PRELIMINARY COST ESTIMATE OF THE PROJECT, PREPARED BY THE GOVERNMENT IN EARLY 1978, IS IN THE ORDER OF US DOLLARS 110 MILLION EQUIVALENT WHICH IS, HOWEVER, CONSIDERED TO BE VERY PROVISIONAL AT THIS STAGE. THE PROPOSED TECHNICAL ASSISTANCE WOULD ENTAIL THE PREPARATION OF: (I) A FEASIBILITY STUDY AND (II) DETAILED DESIGNS AND TENDER DOCUMENTS PRIOR TO SEEKING CONSTRUCTION FINANCE. THE COST OF THE PROPOSED TECHNICAL ASSISTANCE INCLUDING PRICE ESCALATIONS DURING THE SCHEDULED IMPLEMENTATION PERIOD OF 22 WORKING MONTHS (MAY 1979 TO FEBRUARY 1981) IS

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ESTIMATED AT DOLLARS 4.92 MILLION EQUIVALENT INCLUDING DOLLARS 3.56 MILLION FOREIGN EXCHANGE COST.

- B. THE MAIN BENEFICIARIES OF THE PROJECT WOULD BE AN ESTIMATED 30,000 FARM FAMILIES IN THE PROJECT AREA, FARM- AN AVERAGE OF ABOUT 1 HA OF LAND. THE FARM POPULATION CAN BE PROVISIONALLY ESTIMATED AT 150,000 PERSONS REPRESENTING ABOUT 90 PERCENT OF THE TOTAL POPULATION IN THE PROJECT AREA.
- C. INCREASED PADDY PRODUCTION WOULD BE THE MAIN CONTRIBUTOR TO ANY IMPROVEMENT IN INCOME LEVELS AS A RESULT OF THE PROJECT. PADDY PRODUCTION IS PROVISIONALLY ESTIMATED TO INCREASE BY 140,000 M.T./YEAR (WORTH ABOUT

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DOLLARS 24 MILLION) AT FULL DEVELOPMENT OF THE PROJECT.

3. SUGAR REHABILITATION PROJECT (OCTOBER)
- A. THE PROJECT IS AIMED AT INCREASING INDONESIA'S SUGAR PRODUCTION IN ORDER TO REDUCE ITS GROWING SUGAR IMPORTS (FROM A NET EXPORTER UP TO 1965 TO IMPORTER OF ABOUT 200,000 TONS IN 1977). THIS WILL BE ACHIEVED THROUGH REHABILITATION AND EXPANSION OF PNP XVI'S SUGAR FACTORIES AT MOJO AND TASIKMADU UN CENTRAL JAVA WHOSE SUGAR OUTPUT WILL DOUBLE FROM ABOUT 45,000 TONS ANNUALLY TO MORE THAN 90,000 TONS AS A RESULT OF THE PROJECT.
TOTAL COST OF THE PROJECT IS ESTIMATED AT DOLLARS 34.0

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MILLION, INCLUDING A FOREIGN EXCHANGE COST OF DOLLARS
22.2 MILLION.
- B. OTHER FEATURES OF THE PROJECT INCLUDE THE
ESTABLISHMENT OF A PROGRAM FOR SMALLHOLDERS TO GROW SUGAR
ON IRRIGATED LANDS WHICH THEY HAD PREVIOUSLY RENTED OUT TO
THE SUGAR FACTORIES FOR CULTIVATION. IT ALSO INCLUDES THE
ESTABLISHMENT OF RESEARCH FACILITIES FOR GROWING SUGAR
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CANE ON UNIRRIGATED LANDS AND THE GRADUAL INTRODUCTION OF
THESE NEW CULTIVATION TECHNIQUES TO SMALLHOLDER FARMERS
WHO, SO FAR, HAD GROWN OTHER CROPS SUCH AS MAIZE AND
CASSAVA ON THEIR MARGINAL LANDS.
- C. FURTHER COMPONENTS OF THE PROJECT ARE TRAINING,
LOCALLY AND ABROAD, OF FACTORY AND PLANTATION STAFF AS
WELL AS PROVISION OF NECESSARY CONSULTING SERVICES FOR
PROJECT IMPLEMENTATION.
- D. ONE GROUP OF DIRECT BENEFICIARIES OF THE PROJECT
ARE THOSE FARMERS ON ABOUT 6,000 HA OF IRRIGATED LANDS
WHO, IN ACCORDANCE WITH THE GOVERNMENT'S NEW POLICY SINCE
THE END OF 1976 AND SUPPORTED BY THE VARIOUS PROJECT
COMPONENTS, WILL FARM THEIR OWN LANDS INSTEAD OF RENTING
THEM OUT TO SUGAR FACTORIES. THEIR INCOME WILL, FOR THE
FIRST TIME, BE BASED ON THE QUALITY AND QUANTITY OF THEIR
PERSONAL WORK INPUT. THE OTHER GROUP OF BENEFICIARIES
ARE THOSE FARMERS ON ABOUT 4,000 HA OF UNIRRIGATED LANDS
WHO HAVE SO FAR CULTIVATED MAINLY CASH CROPS AND RAINFED
RICE. THEY BELONG TO THE POOREST FARMERS IN JAVA. THESE
FARMERS WILL NOW BE ABLE TO INCREASE THEIR INCOME BY
GROWING SUGAR CANE. THE TOTAL NUMBER OF BENEFICIARIES
CAN BE DEDUCED WITH THE HELP OF THE AVERAGE FARM SIZE
PER FAMILY IN THE PROJECT AREA AMOUNTING TO ABOUT 0.4 HA.
SINCE THE PROJECT AREA WILL COMPRISE ABOUT 10,000 HA, THE
TOTAL NUMBER OF FAMILIES WOULD BE AROUND 25,000 WITH A
POPULATION OF 150,000.
- E. ANOTHER BENEFICIARY IS THE SUGAR CORPORATION PNP
XVI WHICH WILL INCREASE ITS PROFITABILITY AND THEREBY ITS
ABILITY FOR REHABILITATION AND EXPANSION OF OTHER
FACTORIES. A FURTHER BENEFICIARY WILL BE THE GOVERNMENT
WHOSE TREASURY WILL RECEIVE INCREASED CASH INFLOWS, MAINLY
THROUGH LARGER SALES TAXES AND CORPORATE INCOME TAXES.
THE GOVERNMENT WILL ALSO REDUCE ITS FOREIGN EXCHANGE
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SPENDING ON SUGAR IMPORTS WHICH WOULD OTHERWISE BE
NECESSARY.

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- F. ESTIMATES OF INCREASE IN INCOMES ARE AT THIS STAGE, OF COURSE, PRELIMINARY, SINCE THEY WOULD BE DETERMINED ONLY AT THE TIME OF APPRAISAL. THESE RATHER OFF-HAND ESTIMATES INDICATE THAT FARMERS NET INCOME FROM CULTIVATION OF CANE ON IRRIGATED LANDS WOULD INCREASE BY ABOUT 110 PERCENT FROM RP 250,000 PER HA TO RP 520,000 PER HA. FARMERS ON UNIRRIGATED LANDS WOULD BENEFIT EVEN TO A HIGHER DEGREE WITH THEIR NET INCOME RISING BY 270 PERCENT FROM RP 100,000 PER HA TO RP 370,000 PER HA.
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